

No. 15831 ✓

United States
Court of Appeals
for the Ninth Circuit

SANI-TOP, INC, a Corporation,

Appellant,

vs.

NORTH AMERICAN AVIATION, INC., a Corporation,

Appellee.

Transcript of Record

Appeal from the United States District Court for the
Southern District of California
Central Division

FILED

FEB 28 1958

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF ATTORNEYS

For Appellant:

HERZIG AND JESSUP,
ALBERT M. HERZIG,
727 West 7th Street,
Los Angeles 17, California.

For Appellee:

FLINT & MacKAY,
ARCH R. TUTHILL,
458 So. Spring Street,
Los Angeles 13, California.

In the District Court of the United States for the
Southern District of California, Central Division

No. 839-57-WB

SANI-TOP, INC., a Corporation,

Plaintiff,

vs.

NORTH AMERICAN AVIATION, INC., a Corporation,

Defendant.

COMPLAINT FOR DECLARATORY
RELIEF

Plaintiff, by its attorneys above named, for its
Complaint herein avers:

1.

This is a suit for declaratory relief. Jurisdiction
resides in this Court under the Federal Declaratory
Judgment Act, coupled with diversity of citizen-
ship and with the patent laws of the United States.

2.

At all times hereinafter mentioned, plaintiff has
been and now is a corporation incorporated under
the laws of the State of California, having its
principal place of business in the County of Los
Angeles, State of California.

3.

Upon information and belief, at all times hereinafter [2*] mentioned, defendant has been and now

*Page numbering appearing at foot of page of original Certified Transcript of Record.

is a corporation incorporated under the laws of the State of Delaware, and has a regular and established place of business in the County of Los Angeles, State of California.

4.

The matter in controversy exceeds, exclusive of interest and costs, the sum of Three Thousand (\$3,000.00) Dollars.

5.

Defendant purports to be the owner of all right, title and interest in and to United States Patent No. 2,433,643 relating to a certain process.

6.

An actual controversy within the jurisdiction of this Court exists, within the meaning of 28 United States Code, Section 2201, in that defendant has charged that plaintiff is infringing said patent by using said process without defendant's permission and without paying royalties to defendant. Plaintiff denies that it is using the process patented in Patent No. 2,433,643, and plaintiff further avers that said Patent No. 2,433,643 is invalid and unenforceable.

7.

Defendant's charge that plaintiff is using the patented process has been embodied, inter alia, in certain statements made on behalf of defendant by its counsel, Arch R. Tuthill, Esquire; by certain averments made by defendant in a Complaint filed against the present plaintiff on November 13, 1956,

in the District Court of the United States for the Southern District of California, Central Division (subsequently assigned No. 20723-TC); and by certain statements made by and on behalf of defendant in a document filed in said litigation No. 20723-TC entitled Plaintiff's Statement of Reasons and Memorandum of Points and Authorities in Support of Motions to Strike and Dismiss. Details [3] of the charge of patent infringement thus made by defendant are set forth in the attached affidavit of Warren T. Jessup.

8.

Plaintiff has not and does not use the process patented in said Patent No. 2,433,643, and has not and does not infringe said patent.

9.

If said Patent No. 2,433,643 is accorded a construction broad enough to cover the process practiced by plaintiff, then said patent is to such extent invalid.

10.

Plaintiff does not infringe said Patent No. 2,433,643 because during the pendency of the patent application from which said patent matured, the applicants so limited the disclosure and claims of their application that the defendant is estopped from now seeking or obtaining a construction of any of the claims of said patent sufficiently broad to cover or embrace any process employed by plaintiff.

11.

Said Patent No. 2,433,643 is invalid and void because the alleged invention or discovery referred to and claimed therein was and is not patentable to the alleged inventors named therein.

12.

Said Patent No. 2,433,643 and each and every claim thereof is invalid and void because more than one year prior to the application date thereof the alleged invention or discovery referred to and claimed therein was in public use or on sale in this country, and known and used by others.

13.

Patent No. 2,433,643 is invalid and void because the subject matter thereof was obvious to a person skilled in the [4] art as it existed at the time the invention claimed therein was made; the applicants for said patent were not the original or first inventors of any material or substantial part of that which is alleged to have been invented or purported to be patented in said Patent No. 2,433,643; and the alleged inventions and discoveries, if any, were previously made by others than the inventors named in said patent.

14.

Said Patent No. 2,433,643 is invalid and void because it represents an attempt to obtain patent monopoly over a discovery of nature, i.e., a property of a certain material.

15.

Said Patent No. 2,433,643 is invalid and void because the invention claimed therein is anticipated by and/or does not represent the exercise of patentable invention over the disclosures contained in prior art patents and publications, the identity of which plaintiff is now in the process of determining, and which will be announced to defendant in due course, pursuant to Title 35, United States Code, Section 282.

16.

Said Patent No. 2,433,643 is invalid for the reason that all of the elements or steps thereof are old in the art, and said elements or steps, and each of them, in the combination claimed to be new do not co-act to produce a new and unobvious result which differs from the obvious result to be expected from each of the old steps previously known to the art. The process claimed to be new and patentable fails to meet the tests of invention set forth by the Supreme Court of the United States in *Great Atlantic and Pacific Tea Company vs. Supermarket Equipment Corporation*, 340 U.S. 147, 95 Lawyers Edition 163. [5]

17.

Said Patent No. 2,433,643 is invalid because the specification and claims thereof do not describe the invention in such full, clear, concise and exact terms as to enable any person skilled in the art to practice the invention, and the claims of said patent do not particularly point out and distinctly

claim the subject matter which the applicants regarded as their invention.

18.

Said Patent No. 2,433,643 is unenforceable because defendant has employed said patent as a device to monopolize the entire postforming industry, both within and without the scope of said patent, and as a device to collect royalties for the use of methods and processes outside the scope of said patent, in that defendant has by intimidation extended the scope of said patent to cover unpatented and unpatentable processes and has collected royalties thereon.

Wherefore, plaintiff demands:

1. That said Patent No. 2,433,643 be declared and adjudged invalid, unenforceable and/or not infringed by any act of plaintiff.

2. That defendant be enjoined from uttering further charges that plaintiff infringes said Patent No. 2,433,643.

3. That plaintiff recover its costs, disbursements and attorneys' fees herein.

4. Such other, further and different relief as to this Court may seem just and proper in the premises.

HERZIG AND JESSUP,

By /s/ ALBERT M. HERZIG,
Attorneys for Plaintiff.

[Title of District Court and Cause.]

AFFIDAVIT OF WARREN T. JESSUP

State of California,
County of Los Angeles—ss.

Warren T. Jessup, being duly sworn, deposes and says:

I am a partner in the firm of Herzig and Jessup, patent counsel for the plaintiff identified in the above caption.

On Monday, April 8th, 1957, at about 11:00 a.m., I was present in the Courtroom of the Honorable Thurmond Clarke and heard Mr. Arch R. Tuthill present certain statements and arguments on behalf of, and as representative of, North American Aviation, Inc., the defendant named above. These statements were made by Mr. Tuthill on behalf of North American Aviation, Inc., while speaking in support of a certain Motion to Dismiss and to Strike, which were being brought by North American Aviation, Inc. in Civil Action No. 20723-TC in the District [7] Court of the United States for the Southern District of California, Central Division. This suit, No. 20723-TC, was brought by North American Aviation, Inc., as plaintiff, against Sani-Top, Inc., as defendant, to collect alleged royalties due under a certain license agreement.

In the course of this argument, Mr. Tuthill, speaking of Sani-Top, Inc., and also of another

manufacturer of postformed material, Bonded Products Co., said:

“It is a fabricator of the material. It provides the raw material. It uses the process. It bends the material.”

Subsequently in his argument, and still referring to Sani-Top, Inc. and Bonded Products Co., Mr Tuthill spoke as follows:

“Now the defendant is using the process continuously and is not paying royalties. We believe that an accounting is necessary to determine the exact amount owing.”

In speaking of the “process” Mr. Tuthill was referring to the process disclosed and claimed in United States Patent No. 2,433,643, W. I. Beach, et al., owned by North American Aviation, Inc.

On April 8th, 1957, the date of Mr. Tuthill's statements, neither Sani-Top, Inc. nor Bonded Products Co. was a licensee under said Patent No. 2,433,643, and had not been since October 22nd, 1956, on which date each rescinded and repudiated a certain license agreement under Patent No. 2,433,643 which each had previously entered into.

Despite this repudiation, defendant herein, North American Aviation, Inc. sought an accounting against plaintiff [8] herein for all postforming operations performed by plaintiff from August 20th, 1951, and continuing indefinitely thereafter. This accounting was sought in a complaint filed November 13th, 1956, by North American Aviation, Inc.

against Sani-Top, Inc., which Complaint was assigned No. 20723 in the District Court of the United States for the Southern District of California, Central Division. In said Complaint, North American Aviation, Inc. sought an accounting from Sani-Top, Inc. in the following language.

“That an accounting be ordered to accurately determine the amount of all laminated sheet material postformed by defendant under said Process since August 20th, 1951, and the amount of royalties or license fees payable by defendant to plaintiff.”

North American Aviation, Inc., through counsel Flint & MacKay and Arch R. Tuthill, Esq., do not contend, and have never contended, that as of April 8th, 1957, the plaintiff herein was a licensee under said Patent No. 2,433,643. This is evident from the following statement made by North American Aviation, Inc. in said law suit No. 20723-TC and titled Plaintiffs' Statement of Reasons and Memorandum of Points and Authorities in Support of Motions to Strike and Dismiss, which Statement was served on January 31st, 1957. In said Statement, on page 8, North American Aviation, Inc., speaking through counsel, stated as follows:

“Obviously, at the date of defendant's purported rescission of the license agreement on October 22nd, 1956, plaintiff could, if it chose, have [9] filed suit for infringement and the filing of such suit would, in law, constitute acquiescence in defendant's rescission. However,

plaintiff chose to consider at that date and until January 1st, 1957, the license agreement still in force and, hence, in accordance with United Mfg. Co. vs. Holwin, *supra*, plaintiff sought its relief under the license agreement.”

/s/ WARREN T. JESSUP.

Subscribed and sworn to before me this 9th day of July, 1957.

[Seal] /s/ HAZEL Z. SHANNON,
Notary Public in and for Said
County and State.

My Commission expires January 15, 1961.

[Endorsed]: Filed July 9, 1957. [10]

[Title of District Court and Cause.]

DEFENDANT'S MOTION TO
DISMISS COMPLAINT

North American Aviation, Inc., a corporation, defendant herein, hereby moves the court for its order to dismiss the complaint herein.

Said motion will be based on records, papers and files in the above-entitled action and also upon the records, papers and files in the case of North American Aviation, Inc., Plaintiff and Cross-Defendant vs. Sani-Top, Inc., Defendant and Cross-Claimant, No. 20723-TC, and in the action of North American Aviation, Inc., a corporation, Plaintiff

and Cross-Defendant, vs. Bonded Products Co., a partnership, et al., No. 20724-TC, both pending in the above-entitled court; upon the statement of reasons in support of this motion and upon the affidavit of Arch R. Tuthill, Esq., filed herewith. [11]

Dated September 16, 1957.

FLINT & MacKay,

By /s/ ARCH R. TUTHILL,

Attorney for North American
Aviation, Inc.

[Endorsed]: Filed September 17, 1957. [12]

[Title of District Court and Cause.]

AFFIDAVIT OF ARCH R. TUTHILL IN SUP-
PORT OF DEFENDANT'S MOTION TO
DISMISS

State of California,
County of Los Angeles—ss.

Arch R. Tuthill, being first duly sworn, deposes and says:

1. I am a member of the firm of Flint & MacKay and one of the attorneys for defendant herein. Attached hereto, and by this reference made a part hereof, is a true and correct copy of my argument to the above-entitled court on Monday, April 8, 1957, in the following cases:

(a) North American Aviation, Inc., a corporation, Plaintiff, Cross-Defendant, vs. Sani-Top, Inc., a corporation, Defendant, Cross-Claimant, No. 20723-TC.

(b) North American Aviation, Inc., a corporation, [13] Plaintiff, Cross-Defendant, vs. Bonded Products Co., a partnership, et al., Defendants, Cross-Claimants, No. 20724-TC.

Several statements which I made during the course of this argument are referred to in the Affidavit of Warren T. Jessup dated July 9, 1957, filed in the above-entitled action, which said Affidavit is referred to in the Complaint therein in Paragraph (7) on pages 2 and 3.

The argument to the court on April 8, 1957, and the memoranda of authorities then before the court all were directed to motion to dismiss and to strike cross-claims and counter claims interposed by the defendants in the two cases (No. 20723-TC and No. 20724-TC) hereinabove referred to.

The gist of the contentions advanced in behalf of North American Aviation, Inc., is that the complaints in those two actions sought to recover royalties under license agreements from their beginning dates to and including the quarter ending September 30, 1956 (See pages 5 and 6 of Transcript); the issues of patent invalidity were irrelevant to the action to the contract to recover royalties; that these alleged issues of patent invalidity were based on facts allegedly coming into existence subsequent to September 30, 1956, after which North American

Aviation, Inc. did not seek to recover royalties; that for this reason, among others, the alleged issues of patent invalidity were irrelevant and the cross-claims and counter claims therefor were improper.

The argument on April 8, 1957, and all statements made in connection therewith were directed therefor to a state of facts existing in the period during which North American Aviation, Inc., sought to recover royalties on and prior to September 30, 1956.

I categorically deny that I intended to state that subsequent to September 30, 1956, plaintiff herein was using the [14] postforming process or that it was in any way infringing Patent No. 2,433,643.

In the answers by North American Aviation, Inc. to interrogatories in said referred-to cases (No. 20723-TC and 20724-TC), North American Aviation, Inc. made it clear that in those actions it sought to recover royalties to and including September 30, 1956; that it did not in those actions demand royalties or an accounting for any period after January 1, 1957; that it did not charge that plaintiff herein had been using the process after January 1, 1957, as an infringer, in those actions.

North American Aviation, Inc. did not in those cases. take any positions whatever with respect to whether the licensees were or were not obligated to pay royalties after September 30, 1956.

In said two cases (Nos. 20723-TC and 20724-TC), an accounting is sought by North American Aviation, Inc. However, that accounting in those cases

is sought for the period ending September 30, 1956.
(See Transcript, pages 8-10.)

/s/ ARCH R. TUTHILL.

Subscribed and Sworn to before me this 17th day
of September, 1957. [15]

[Seal] /s/ BERNICE B. FRY,
Notary Public in and for Said
County and State.

In the United States District Court, Southern
District of California, Central Division
No. 20723-TC

NORTH AMERICAN AVIATION, INC., a Cor-
poration,

Plaintiff, Cross-Defendant,

vs.

SANI-TOP, INC., a Corporation,

Defendant, Cross-Claimant.

No. 20724-TC

NORTH AMERICAN AVIATION, INC., a Cor-
poration,

Plaintiff, Cross-Defendant,

vs.

BONDED PRODUCTS CO., a Partnership Com-
posed of Edgar D. Brown, Jr. and Walter
Junak; EDGAR D. BROWN, JR.; WALTER
JUNAK,

Defendants, Cross-Claimants.

Honorable Thurmond Clarke, Judge Presiding

REPORTER'S TRANSCRIPT
OF PROCEEDINGS

Monday, April 8, 1957, 11:00 A.M.

Appearances:

FLINT & McKAY, By
ARCH R. TUTHILL,
Attorneys for Plaintiff and
Cross-Defendant;

HERZIG AND JESSUP, By
WARREN T. JESSUP and
ALBERT HERZIG,
Attorneys for Defendants and
Cross-Claimants.

The Court: I will hear from Mr. Tuthill. You notice the hearing and the objections to the interrogatories came in late, as you know. I guess it was Thursday or Friday. Then this matter was added to the calendar.

Mr. Tuthill: That was in accordance with my understanding of your Honor's order.

The Court: That is right, but they came in so late, my thought was that, since I was trying a patent case all day Thursday and then Friday afternoon an injunction matter came in, in which I had to issue a restraining order against the Brotherhood of Railroad Trainmen, for the Union Pacific, and plus that I haven't had the time since to give this the necessary thought, I will, rather than making a ruling from the Bench, take this under submission.

because we worked right up until six o'clock and we have a pretrial hearing at 2:00 and a criminal matter at 3:00, so I haven't had a chance to go into the matter like I wanted to. So I am going to hear from you and then take it under submission.

Mr. Tuthill: Yes, Judge.

Concerning the interrogatories I believe that the decision with respect to objections will be the same as with respect to our motions——

The Court: Yes. [3*]

Mr. Tuthill: ——because basically we have objected to these interrogatories on the ground of their irrelevance, since they deal with matters concerning the validity or invalidity of the patent under which the license was executed, and we argue that none of those matters are relevant in this proceeding. Consequently, if the court agrees with our contentions that the defenses should be stricken or that the motion to dismiss should be sustained as to them, then a ruling should also be made sustaining our objections to the interrogatories.

Your Honor, this is a very simple action. It is an action by North American Aviation, the Plaintiff, to recover accrued and delinquent royalties under a contract.

North American Aviation is the patentee or the holder of the patent on a certain process. It has executed various licensing agreements, copies of which are before you as exhibits to the Complaints in these two cases, and I will treat both cases together.

*Page numbering appearing at top of page of original Reporter's Transcript of Record.

Those license agreements are written. They are non-exclusive license agreements; they so state on their face, that there is granted to the licensee in each case a non-exclusive right, that is to say, a right with other licensees to use the patented process. More strictly I suppose it should be said a right to use the process but not the right exclusively to use the process in any area. [4]

North American has, as your Honor sees in these two cases, executed two of these non-exclusive license agreements in this same area. As a matter of fact, there are many more.

The process deals generally to what we call post-forming. Without going into the detail of the process, the sheet of material is bent and formed into an end product. Its most widely uses are panel surfaces for kitchen sinks, or counters in restaurants, bars, and the like, where a coved sink top, for example, will be made. This process is widely used today. This is a new industry, as we allege in the Complaint, which was started after World War II.

Now, the defendant is a licensee of this process. It is a fabricator of the material. It provides the raw material. It uses the process. It bends the material. It makes, for example, sink tops. A top may be bent at the top and down in the middle and around the edge also. It creates or it fabricates that material into the end result itself and sells and installs the product, for example, into many of the new subdivisions.

Now, the license agreement, and this is true in

both cases, provides for the payment of royalties at a calculated rate quarterly, with each division of quarters according to the calendar year. For the quarter ending [5] September 30th, for example, the royalties are payable on or before the 20th of October.

At the same time the royalties are payable, a statement with respect to the amount of footage used or the amount of material formed is supplied by the licensee accompanying the royalty statement.

So, regularly throughout the life of this agreement, the royalty is payable on the basis of quarters and by the expiration of 20 days after the end of each quarter. Now, that is important to remember in this case, your Honor, because here this action was filed on November 13, 1956. The amount of royalty that we seek to recover in this action is for the quarter ending on September 30th, 1956, not that quarter alone but over the antecedent quarters, based upon an accounting to establish the full amount of royalty which is payable for the time ending September 30, 1956.

As your Honor knows, for example, like a landlord under a lease, we could not sue under a lease until that rental is payable.

Therefore, all that we were entitled to recover under the Complaint as it was framed and filed was royalty payable during the period ending September 30, 1956. Those royalties were payable on October 20th.

Now, there is a dispute in this case as to the method [6] of computing these royalties which

should be paid for the use of the process under the license agreement.

The contract provides that the royalty is at the rate expressed, and there is no dispute between us, as I understand it, as to the rate. The contract provides, that the royalty shall be "computed," and I am quoting, "on the basis of material formed under the Process."

Now, from the date of the contract, in one case in April, 1953, and in the other case in August, 1951, I believe until about April of 1956, that is a period of 4 years or five years, in one case, four and a half years in one case, and several in the other, that dispute did not exist, your Honor. The royalties were paid during that period in accordance with this construction of the agreement, that is to say, that the royalties were paid on the basis of the amount of the sheet material which was used in the final end product, not simply the area of the material which was actually bent in forming that product.

North American has always taken the position that the product, the end product is the postformed product. You take a sheet of flat material and you bend it and you have a new form. It is now in this form, for example, or it may be in this form, for example, or it may be with a little lip along the end: there is a new form made out of that sheet. [7]

Consequently, up to April, 1956, we had no disagreement with our licensees and royalties were paid by our licensees and royalties were paid on the basis of the footage used in that, for example,

kitchen sink, counter or panel. It might start out with a panel of 3 feet by 12 feet, which was bent in the center, but the royalty was payable on the basis of 36 square feet of sheet material which was used or employed in constructing that end product.

Now, as I say, there is a dispute in this case as to how these royalties are going to be calculated, but it is still a part of the action on the contract itself for the recovery of royalties.

Now, the defendant is using the process continuously and is not paying royalties.

We believe that an accounting is necessary to determine the exact amount owing.

Now, the defendants disagree with this preliminary statement or dispute this as being an action on the contract simply for the recovery of money and an accounting to determine the exact amount of money due and to resolve the dispute which exists between the parties, that is the construction of this royalty provision.

The defendants have sought to bring into this case an attack on the patent itself. They bring it in [8] by means of an alleged notice of repudiation which was delivered on October 22, 1956. That same notice, they say, if it is not a notice of repudiation, is a notice in accordance with the license giving the defendants the right to terminate it, it is a 60-day notice of termination.

Now, we have asked, and we do ask, your Honor to strike—first I should say to dismiss the first cross-claim and the second cross claim of the Answer.

The first cross-claim seeks declaratory relief as to the patent's validity on and after October 22, 1956.

The second cross-claim seeks declaratory relief as to whether the defendants' operations are within the scope of any valid claim of the patent.

Now, note the date of October 22nd, your honor. That is the date on which this alleged notice of repudiation was given, also notice of termination, notice of termination becoming effective the following January 1st. This introduces a state of facts which are not relevant to a claim which matured and existed on September 30th.

Remember, we are seeking to recover royalties in this case down to September 30th and not beyond that date. The defendant comes in and attempts to bring in [9] patent invalidity but relating only from October 22nd on. The defendant does not seek to raise patent invalidity for any date prior to October 22nd. As a matter of fact, as a matter of law he could not do so, in any event. So, for that one reason alone, your Honor, if it is not clearly pointed up in the briefs, that is why I have gone on a little longer than I normally would, for that one reason alone the defense of invalidity is completely irrelevant. The defendant does not have the power to bring into this case any action with regard to the patent.

This, your Honor, is North American's case on the contract for royalties to and including September 30th. We cannot transform that case into an action to determine the validity of the patent, when

the only basis for the claim of invalidity relates to events happening after September 30th of 1956.

The motion to strike is directed to the affirmative defenses which deal with patent invalidity. For example, item 1 is directed to a part of the First Affirmative Defense which alleges patent invalidity; item 2 is directed to part of the Second Affirmative Defense which alleges that on October 22, 1956, the defendant repudiated the license agreement, and which we say is completely irrelevant to the case; 3 is directed to a part of the [10] Second Affirmative Defense which alleges that the defendant is an infringer after October 22nd and that we must prosecute him on that basis. That we do not choose to do in this action. We may of course at a later date in another proceeding file an infringement case, but that is our choice and not the defendant's choice.

The Third Affirmative Defense we seek to strike which alleges patent invalidity; the Fourth Affirmative Defense which alleges patent invalidity; items 6 and 7 deal with patent invalidity; also 8 and 9 are related to patent invalidity.

Now I will not be much longer in my opening statement, your Honor.

I want to emphasize again that the defendant is estopped or the defendant has no right to bring into this present lawsuit any claim with reference to the validity of the patent which is based on events which took place after the date to which recovery is sought here.

It is elementary that during the conduct of license

relationship, the licensee is estopped to deny the validity of the patent.

If, assuming there is strength to the defendants' position, which we deny vigorously, to the effect that he can lawfully give a notice of repudiation on October 22nd [11] and thereafter stand in the position of an infringer to the plaintiff, telling me, "I am an infringer, I deny the existence of the license agreement, I refuse to pay royalties, I say the patent is no good, I am going to go ahead and use the patent in my business, come after me as an infringer," if there is strength to that defense, it can date only from October 22nd and not before. There is no authority to the contrary on that point and the cases cited by the defendants themselves sustain that view.

We have covered in our memorandum two additional points. One is that the failure of the plaintiff, the alleged failure of the plaintiff to prosecute infringers is not a defense in this action on contract, for there is no covenant in these agreements, your Honor, by which North American has undertaken to prosecute infringers. There is no mention of that subject in the agreement at all, and the decisions establish that there is no implied covenant on the part of North American to prosecute infringers.

So therefore, when the defendant says, "You cannot collect royalties from me because you have failed to prosecute infringers who are competing with me and I don't have to pay that royalty," then, our answer simply is that our bargain was not that we would prosecute [12] infringers: our bargain

was to the contrary; our bargain was that we would not be required to prosecute infringers; our bargain was that you were to get a non-exclusive license; our bargain was that your agreement in essence and the gist of the full consideration for your agreement is that we will promise you, as a non-exclusive licensee, as we promised others, that we, North American, the holder of the patent, will not sue you for infringement; you will have the right to use the process, you are protected against infringement claims if you use the process—and there is no minimum in here—if you use the process, you pay a royalty, but you with others we license will have that same royalty.

Further, the failure of North American, the alleged failure to prosecute infringers is not a defense.

The other point which is related and which I have covered I believe is that the agreement is not an exclusive agreement. There is no authority that I am aware of which holds that a non-exclusive licensee may defend an action on the contract for accruing royalties on the basis that others are permitted to use the patent, on the basis that others who are infringers have not been prosecuted, and certainly, as I have already disposed of it, on the ground of patent invalidity at least prior to the giving of a notice of repudiation. [13]

We have discussed the cases which were cited by the defendants in their brief; and I would ask the opportunity to discuss any points that they might raise in their reply.

The Court: All right. Mr. Jessup? [14]

(Argument on behalf of the Defendants and Cross-Claimants, by Mr. Jessup, not [14-A] transcribed.)

* * *

The Court: All right, Mr. Tuthill, do you want to reply?

Mr. Tuthill: Yes, your Honor.

I notice that these authorities contain, first of all, a half dozen or 8 or 10 cases dealing with matters apart from this question of declaratory judgment.

Now, this in effect then is an effort by the defendants to file a new brief which has already been answered by our reply brief. I must have the opportunity, of course, and ask for it, to submit a final memorandum. I would like to have this phase of the matter closed so far as submitting of authorities are concerned.

The Court: Well, this will be filed, Mr. Tuthill, but I will let you have five days to reply to this defendants' Supplemental Memorandum which was filed this morning. If for any reason you decide not to, would you write me a letter and send a copy to counsel?

Mr. Tuthill: I will be very glad to, your Honor.

The Court: All right, five days on this.

Mr. Tuthill: I will make my reply remarks very brief.

The Court: If you need any more time, you can have it. Then, if you decide not to, just write me a letter and send counsel a copy. After your remarks, we will take the matter as submitted, anyway.

Mr. Tithill: Thank you, your Honor. [15]

I will be very brief.

The thought occurs throughout defendants' argument that North American is adroitly maneuvering its program to cause detriment to a lot of people in this business; that they are taking one position at one time in this case and that before your Honor we are taking a different position. And furthermore, departures from the record which have been made are not supported by the pleadings here, for example, that at the initiation of this postforming process there were certain assurances made by North American to the effect that the industry or that the fabricators would be defended. Nothing of that sort is in issue here. There is no allegation in any part of the answer raising any defense of that character. So the effort by counsel to cast this controversy against a backdrop of that character is simply improper and out of order.

The Armstrong case, which was the only one quoted, we have discussed extensively. Any statement made in that case which supports the defendants' position is a gratuitous statement by the court. It is not even the decision of the three-Judge Court, your Honor. The decision was written by Justice McLucas. Do you remember him? [16]

The Court: Yes, I remember Judge McLucas.

Mr. Tuthill: He was sitting pro tem in the District Court. Justice Houser and Justice York were other members of that court. Justice McLucas wrote the opinion and after deciding the case he spent

three or four pages talking about something that supports the defendants here.

Justice Houser dissented. So it was a 2 to 1 case to start with, and then the unbelievable thing is this: That Justice York said in concurring, "I concur in the conclusion reached by reason of the first part of the opinion wherein it states that there is no further liability under the terms of the written contracts." So he was not even able to go along with Justice McLucas with respect to the material that the defendants here rely upon as establishing the law in California.

The result of that is that in this decision what they bring before your Honor is simply obiter dictum written by Judge McLucas in which he could not get the concurrence of the other two members of the court. Now, that, your Honor, in my judgment, and I lay that before you, is typical of the strength of the defendants' argument at this point in this case.

We have a simple action on contract. We have a [17] patent. The defendants are attempting to attack the patent, which they do not have the right to do. They are not remedyless. They have other remedies they can adopt, but we say they cannot bring that into this case.

The Court: All right.

Mr. Tuthill: We want this case a clean claim, action on contract, and we don't want to transfer this into a patent case.

The Court: We will mark it submitted. [18]

Certificate

I, Thomas B. Goodwill, hereby certify that I am a duly appointed, qualified and acting official court reporter of the United States District Court for the Southern District of California.

I further certify that the foregoing is a true and correct transcript of the arguments orally made by Arch R. Tuthill, Attorney for Plaintiff, North American Aviation, Inc., in case Nos. 20723-TC and 20724-TC, on April 8, 1957, in said court, and that said transcript is a true and correct transcription of my stenographic notes.

Dated at Los Angeles, California, this 8th day of May, A. D. 1957.

/s/ THOMAS B. GOODWILL,
Official Court Reporter.

[Endorsed]: Filed September 17, 1957. [19]

[Title of District Court and Cause.]

INTERROGATORIES TO DEFENDANT

Pursuant to Rule 33, Rules of Civil Procedure for the United States District Courts, plaintiff hereby propounds to defendant the following written interrogatories to be answered by an officer or agent of defendant:

Plaintiff hereby informs defendant that plaintiff has continued since January 1, 1957, to use, and

is now using, the same processes for postforming or treating phenolic sheet material as it used on and prior to September 30, 1956.

1. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., is infringing or is not infringing United States Patent No. 2,433,643? [41]

2. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., has ever infringed United States Patent No. 2,433,643?

3. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., is now using or is not now using the process patented under United States Patent No. 2,433,643?

4. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., has at any time since January 1, 1957, used the process patented in United States Patent No. 2,433,643?

HERZIG AND JESSUP,

By /s/ WARREN T. JESSUP,

Attorneys for Sani-Top, Inc.

Affidavit of service by mail attached.

[Endorsed]: Filed September 26, 1957. [42]

[Title of District Court and Cause.]

DEPOSITION UPON WRITTEN
INTERROGATORIES

Pursuant to Rule 31, Rules of Civil Procedure
for the United States District Court, plaintiff

herein propounds the following written interrogatory to Arch R. Tuthill, Esq., counsel for defendant herein, to be answered under oath before Bernice B. Fry, Notary Public in and for the County of Los Angeles, State of California, or other Notary Public whose address is 458 South Spring Street, Los Angeles 13, California, on September 30, 1957.

1. On Monday, April 8, 1957, in presenting an argument before the Honorable Thurmond Clarke in case No. 20723-TC, entitled North American Aviation, Inc., vs. Sani-Top, Inc., you closed your argument by stating: [44]

“We have a simple action on contract. We have a patent. The defendants are attempting to attack the patent, which they do not have the right to do. They are not remedyless. They have other remedies they can adopt, but we say they cannot bring that into this case.”

What “other remedies” were you referring to when you made the above statement?

HERZIG AND JESSUP,

By /s/ WARREN T. JESSUP,

Attorneys for Sani-Top, Inc.

Affidavit of service by mail attached.

[Endorsed]: Filed September 26, 1957. [45]

[Title of District Cause and Cause.]

DEFENDANT'S OBJECTIONS TO PLAINTIFF'S INTERROGATORY TO ARCH R. TUTHILL AND STATEMENT AND REASONS IN SUPPORT OF SUCH OBJECTIONS

Defendant objects to the written interrogatory propounded by plaintiff to Arch R. Tuthill on the grounds hereinafter stated. The interrogatory is:

"1. On Monday, April 8, 1957, in presenting an argument before the Honorable Thurmond Clarke in case No. 20723-TC, entitled North American Aviation, Inc., vs. Sani-Top, Inc., you closed your argument by stating:

" 'We have a simple action on contract. We have a patent. The defendants are attempting to attack the patent, which they do not have the right to do. They are not remedyless. They have other remedies they can adopt, but we say they cannot bring that into this case.'

" 'What 'other remedies' were you referring to when you made [69] the above statement?'"

Said interrogatory deals with immaterial and irrelevant matters; it calls for the opinion and conclusion of the witness; it is an improper effort to obtain the witness' expert testimony; the interrogatory calls for privileged matter prepared in connection with litigation; no showing is made of the rare situation having exceptional features which

would compel an attorney in the interests of justice to disclose material in his files or his mental processes with regard to this litigation.

The question deals with immaterial and irrelevant matters. As it appears in the quotation which is a part of the question, counsel was arguing the relevancy of certain defenses and pointing out that these defenses of patent invalidity were irrelevant and improper in an action for royalties on the license contract. Clearly the matter of the licensee's other remedies, if any, which were not then asserted was quite immaterial and irrelevant.

The question calls for the opinion and conclusion of the witness. This is self-evident and no argument is needed on this point.

The interrogatory deals with the work product of an attorney and public policy requires that such information cannot be inquired into unless the situation is a rare one with exceptional features which make the disclosure necessary in the interests of justice. Furthermore, if the party seeking such disclosure is able to obtain the information asked for elsewhere, he is not entitled to ask the question.

In *Hickman vs. Taylor*, 329 U.S. 495, 91 L. ed. 451, an attorney was charged with criminal contempt for his refusal to answer an interrogatory propounded by plaintiff with reference to oral and written statements of witnesses and other information secured in the course of preparation for possible litigation. The Supreme Court said: [70]

“Here is simply an attempt, without purported necessity or justification, to secure written statements, private memoranda and personal recollections prepared or formed by an adverse party’s counsel in the course of his legal duties. As such, it falls outside the arena of discovery and contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney. (Pg. 462.)

* * *

“But the general policy against invading the privacy of an attorney’s course of preparation is so well recognized and so essential to an orderly working of our system of legal procedure that a burden rests on the one who would invade that privacy to establish adequate reasons to justify production through a subpoena or court order. (Pg. 463.)

* * *

“When Rule 26 and the other discovery rules were adopted, this Court and the members of the bar in general certainly did not believe or contemplate that all the files and mental processes of lawyers were thereby opened to the free scrutiny of their adversaries. And we refuse to interpret the rules at this time so as to reach so harsh and unwarranted a result.” (Pg. 464.)

See also *State of Maryland vs. Baltimore*, 7 F.R.D. 666 (District Court, Pennsylvania, 1947). In this

case defendant's interrogatories were directed to the plaintiff's attorney and asked for facts forming the basis for various allegations of negligence in the Complaint. Relying on the Hickman case, the Court said:

“* * * that the party asking for disclosure is [71] bound to show that the situation is a rare one having exceptional features which make the disclosure necessary in the interests of justice and (4) in ruling upon the precise point before it, the Court held that where it appears that the party seeking disclosure has obtained or is able to obtain the information asked for elsewhere, he has not met the burden. Applying this rule, which as stated epitomizes the opinion in *Hickman vs. Taylor*, supra, it appears that the defendant is not entitled to have the interrogatories answered.” (Pg. 667.)

The Court also said that the information requested could have been obtained elsewhere and for this reason the question was objectionable. Plaintiff's counsel are fully qualified to advise plaintiff of its legal remedies in this case.

Dated: September 30, 1957.

FLINT & MacKAY,

By /s/ ARCH R. TUTHILL,

Attorneys for Defendant.

[Endorsed]: Filed October 1, 1957. [72]

[Title of District Court and Cause.]

DEFENDANT'S OBJECTIONS TO PLAINTIFF'S INTERROGATORIES TO DEFENDANT AND STATEMENT AND REASONS IN SUPPORT OF SUCH OBJECTIONS

Defendant objects to the written interrogatories propounded by plaintiff to defendant on the grounds hereinafter stated. The interrogatories are:

"Plaintiff hereby informs defendant that plaintiff has continued since January 1, 1957, to use, and is now using, the same processes for post forming or treating phenolic sheet material as it used on and prior to September 30, 1956.

"1. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., is infringing or is not infringing United States Patent No. 2,433,643?

"2. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., has ever infringed United States Patent No. 2,433,643?

"3. Is it the position of North American Aviation, Inc., [80] that Sani-Top, Inc., is now using or is not now using the process patented under United States Patent No. 2,433,643?

"4. Is it the position of North American Aviation, Inc., that Sani-Top, Inc., has at any time since January 1, 1957, used the process patented in United States Patent No. 2,433,643?"

Grounds of Objections

Each interrogatory deals with immaterial and irrelevant matters; each is based upon an assumed fact—of which defendant is informed after commencement of the action—that plaintiff is using the same post forming methods and processes that it employed while it was a licensee; each deals with matters occurring after commencement of the action; each calls for speculative and hypothetical answers based upon an irrelevant assumed fact occurring after the commencement of the action; each calls for the opinion and conclusion of the defendant, which is based upon an assumed fact occurring after the commencement of the action; each calls for the opinion and conclusion of the defendant as to what methods or processes the plaintiff is now or ever has used; each assumes that defendant knows what methods or processes the plaintiff has used in the past in its operations.

Moreover, each interrogatory is asked for the purpose of creating a cause of action when none existed at the time of the commencement of the action; defendant is under no duty whatever to answer questions of this character and thereby if it answers them in the affirmative create a cause of action in plaintiff's favor; the Court should not compel the defendant to answer these interrogatories and thereby if they are answered in the affirmative subject the defendant to litigation. [81]

Respectfully submitted,

FLINT & MacKAY,

By /s/ ARCH R. TUTHILL,
Attorneys for Defendant, North American Aviation, Inc.

[Endorsed]: Filed October 9, 1957. [85]

[Title of District Court and Cause.]

MINUTES OF THE COURT, OCT. 14, 1957

Present: Hon. Thurmond Clarke, District Judge.

Counsel for Plaintiff Warren Jessup, Esq.

Counsel for Defendant: Arch R. Tuthill,
Esq.

Proceedings:

Hearing on defendant's Motion for Court Order Striking Interrogatory Propounded by the Plaintiff and Excusing Attorney Arch Tuthill from answering same.

Also Hrg. Deft's Objections to Interrogs. Propounded by Plaintiffs.

Counsel argue.

"It is ordered that the objections to the interrogatory propounded to Attorney Arch Tuthill (filed October 1, 1957) are sustained, and the said attorney is excused from answering said interrogatory.

"It is further ordered that the matter of the interrogatories directed to the defendant North American Aviation Co., are to stand submitted until the motion of the defendants to dismiss is ruled upon.

Counsel notified."

[Title of District Court and Cause.]

ORDER ON DEFENDANT'S
MOTION TO DISMISS

This cause having come before the court for hearing on defendant's motion, filed September 17, 1957, to dismiss under Fed. R. Civ. P. 12(b) (6) upon the ground that the complaint for declaratory relief fails to state a claim upon which relief can be granted; and the motion having been heard and submitted for decision as a motion for dismissal upon the ground of lack of jurisdiction over the subject matter under Fed. R. Civ. P. 12(b)(1) and 56(b); and it appearing to the court that:

(1) Plaintiff has failed to allege an actual controversy between the parties [28 U.S.C. § 2201];

(2) Therefore, this suit is not within the subject-matter jurisdiction of this court over "Cases * * * arising under * * * the Laws of the United States." [U. S. Const. Art. III, Sec. 2.]

Accordingly It Is Ordered that defendant's motion to dismiss is hereby granted.

It Is Further Ordered that this dismissal shall not constitute an adjudication upon the merits, and the judgment of dismissal shall so provide. [Fed. R. Civ. P. 41(b).]

It Is Further Ordered that defendant North American Aviation, Inc., shall lodge with the Clerk, within five days, [86] a judgment of dismissal to be settled under local rule 7.

It Is Further Ordered that the Clerk this day shall serve copies of this order by United States mail upon the attorneys for the parties appearing in this suit.

Dated November 25, 1957.

/s/ THURMOND CLARKE,
United States District Judge.

[Endorsed]: Filed November 25, 1957. [87]

In the District Court of the United States for the
Southern District of California. Central Division

No. 839-57 TC

SANI-TOP. INC., a Corporation,

Plaintiff,

vs.

NORTH AMERICAN AVIATION, INC., a Corporation,

Defendant.

JUDGMENT OF DISMISSAL

The Motion filed herein September 17, 1957, by defendant North American Aviation, Inc., a corporation, to Dismiss Complaint having duly and regularly come on before the Honorable Thurmond Clarke, United States District Judge. for hearing, and having been argued and submitted for decision, and it appearing to the Court and the Court finds

that the Complaint fails to allege an actual controversy between the parties and that this court lacks jurisdiction over the subject matter, and the Court having granted said Motion to Dismiss;

Now, Therefore, It Is Ordered and Adjudged:

(1) That the above-entitled action be and the same hereby is dismissed;

(2) That the aforesaid dismissal shall not constitute an adjudication upon the merits.

It Is Further Ordered, since said action is dismissed, that defendant be and it hereby is excused from answering plaintiff's Interrogatories to Defendant and that Defendant's Objections filed herein on October 9, 1957, to said Interrogatories be and the same are ordered off calendar.

/s/ THURMOND CLARKE,
United States District Judge.

Approved as to form.

FLINT & MacKAY,
By /s/ ARCH R. TUTHILL,
Attorneys for Defendant.

HERZIG & JESSUP,
By /s/ ALBERT M. HERZIG,
Attorneys for Plaintiff.

Receipt of copy acknowledged.

[Endorsed]: Filed December 2, 1957.

Entered December 3, 1957.

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice is hereby given that Sani-Top, Inc., a corporation, plaintiff above named, hereby appeals to the United States Court of Appeals for the Ninth Circuit from the Judgment of Dismissal entered in this action on December 3, 1957.

Dated: Dec. 9, 1957.

HERZIG & JESSUP,

By /s/ ALBERT M. HERZIG,

Attorneys for Appellants.

Affidavit of Service by Mail attached.

[Endorsed]: Filed December 9, 1957. [88]

[Title of District Court and Cause.]

CERTIFICATE BY THE CLERK

I, John A. Childress, Clerk of the above-entitled Court, hereby certify that the items listed below constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit, in the above-entitled case:

A. The foregoing pages numbered 1 to 92, inclusive, containing the original:

Complaint.

Defendant's Motion to Dismiss Complaint.

Affidavit of Arch R. Tuthill in Support of Defendant's Motion to Dismiss.

Statement of Reasons in Support of Defendant's Motion to Dismiss Complaint.

Interrogatories to Defendant.

Deposition Upon Written Interrogatories.

Plaintiff's Opposition to Motion to Dismiss.

Defendant's Objections to Plaintiff's Interrogatory to Arch R. Tuthill and Statement and Reasons in Support of Such Objections.

Defendant North American's Reply to Plaintiff's Opposition to Defendant's Motion to Dismiss.

Defendant's Objections to Plaintiff's Interrogatories to Defendant and Statement and Reasons in Support of Such Objections.

Order on Defendant's Motion to Dismiss.

Notice of Appeal.

Designation of Contents of Record on Appeal.

B. Reporter's transcript of proceedings had on April 8, 1957, attached to "Affidavit of Arch R. Tuthill in support of Defendant's Motion to Dismiss."

I further certify that my fee for preparing the foregoing record, amounting to \$1.60, has been paid by appellant.

Dated: December 26, 1957.

[Seal] JOHN A. CHILDRESS,
 Clerk;

By /s/ WM. A. WHITE,
 Deputy Clerk.

[Title of District Court and Cause.]

CERTIFICATE BY THE CLERK

I, John A. Childress, Clerk of the above-entitled Court, hereby certify that the items listed below constitute the Supplemental transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit, in the above-entitled case:

A. The foregoing pages numbered 1 to 6, inclusive, containing the original:

Minute Order—October 14, 1957.

Judgment of Dismissal.

Defendant's Designation of Additional Portions of the Record to Be Included on Appeal.

Dated December 27, 1957.

[Seal] JOHN A. CHILDRESS,
 Clerk;

By /s/ WM. A. WHITE,
 Deputy Clerk.

[Endorsed]: No. 15831. United States Court of Appeals for the Ninth Circuit. Sani-Top, Inc., a Corporation, Appellant, vs. North American Aviation, Inc., a Corporation, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed December 27, 1957.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for the
Ninth Circuit.

In the United States Court of Appeals
for the Ninth District

No. 15831

SANI-TOP, INC., a Corporation,

Appellant,

vs.

NORTH AMERICAN AVIATION, INC., a Corporation,

Appellee.

STATEMENT OF POINTS AND DESIGNA-
TION OF PARTS TO BE PRINTED

The points on which the Appellant intends to rely in this appeal are as follows:

1. That the lower Court erred in dismissing the Complaint for declaratory relief.

2. That there exists a justiciable controversy entitling the plaintiff to declaratory relief on the question of whether Patent No. 2,433,643 is valid or infringed.

The following parts of the record, as filed in this Court, need to be printed by the Clerk for the hearing of this appeal: The entire Clerk's Transcript of Record from the U. S. District Court.

HERZIG & JESSUP,

By /s/ ALBERT M. HERZIG,

Attorneys for Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed January 2, 1958.

